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# ASIAN DEVELOPMENT OUTLOOK 2021 UPDATE

## Part I: Vaccines, Variants, and Asia's Uneven Recovery

22 September 2021

#ADO2021

ADB

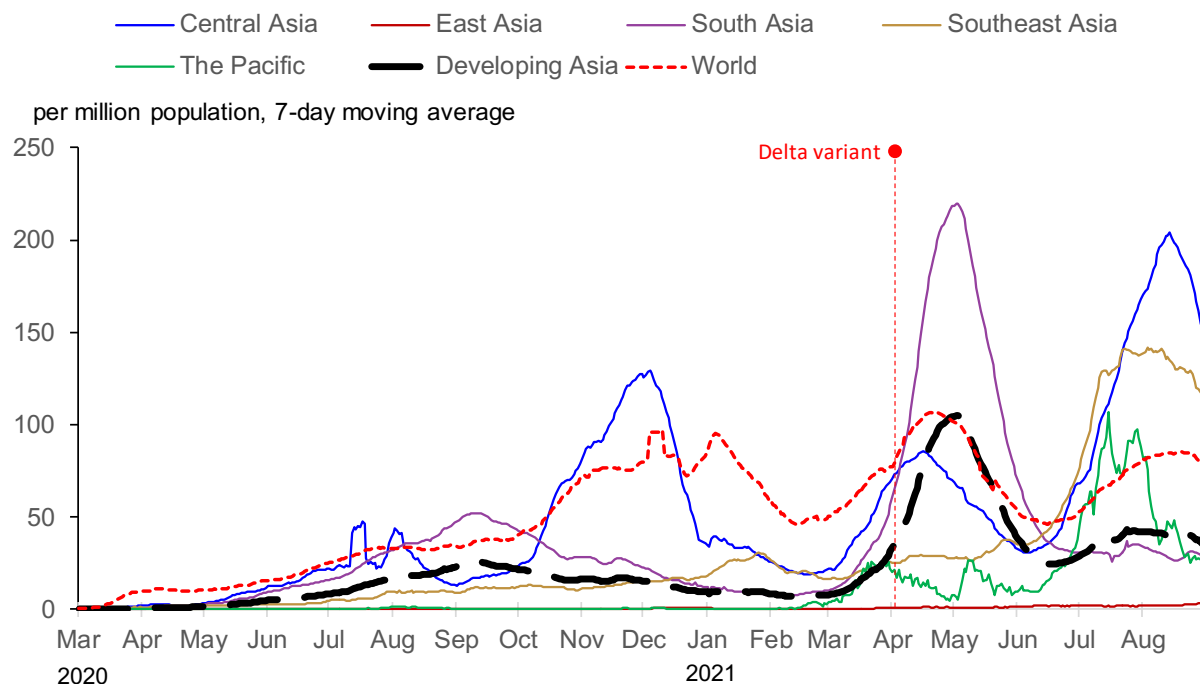
# ADO Update 2021: Key messages

- Amid renewed outbreaks and uneven progress on vaccination, COVID-19 continues to besiege developing Asia
- Regional growth paths are diverging—economies that have successfully contained the pandemic and actively rolled out vaccines are benefiting more than others from the recovery in global demand
- The region's output is forecast to expand by 7.1% in 2021 and 5.4% in 2022. Inflation is projected at 2.2% in 2021 and 2.7% in 2022
- A resurgence in the COVID-19 pandemic—possibly due to new virus variants, waning effectiveness of vaccines, or slow progress on vaccination—remains the main risk
- The theme chapter examines how Asian agriculture must respond to three ongoing shifts: changing demand, changing demographics, and a changing and fragile environment

# The COVID-19 pandemic continues to besiege developing Asia

*New and more infectious variants are driving outbreaks across developing Asia.*

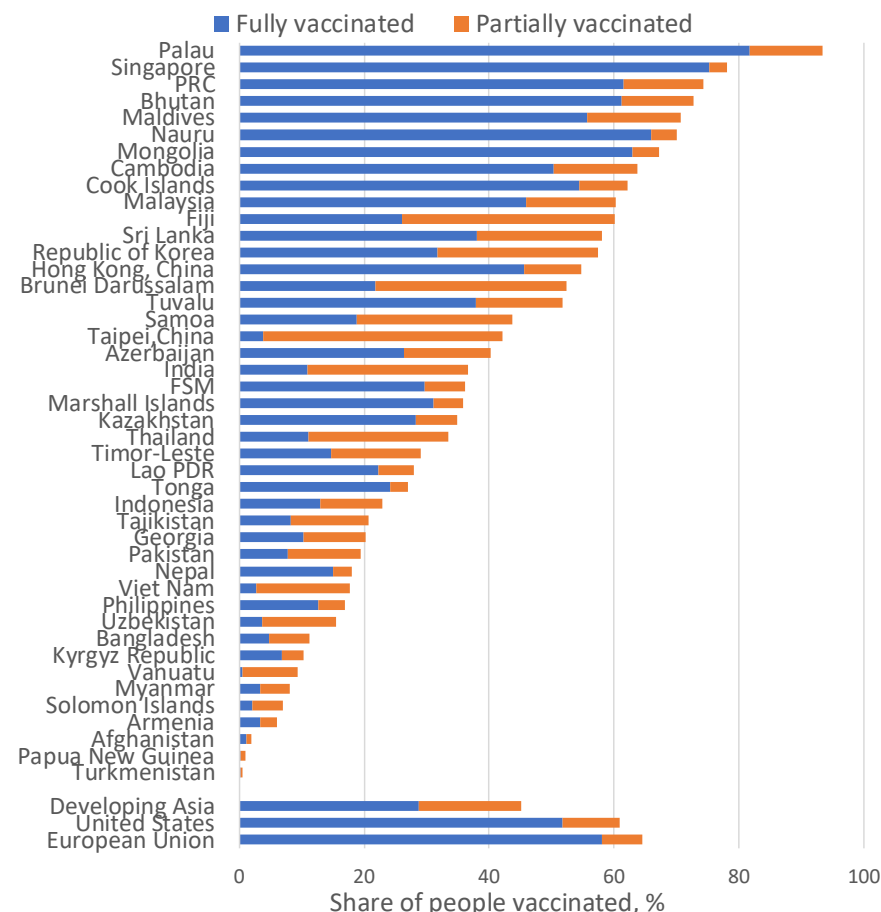
Daily new COVID-19 cases, 7-day moving average



Sources: CEIC Data Company (accessed 6 September 2021); Ministry of Healthcare of Kazakhstan.

*Vaccination progress remains uneven and lags advanced economies.*

Persons vaccinated against COVID-19

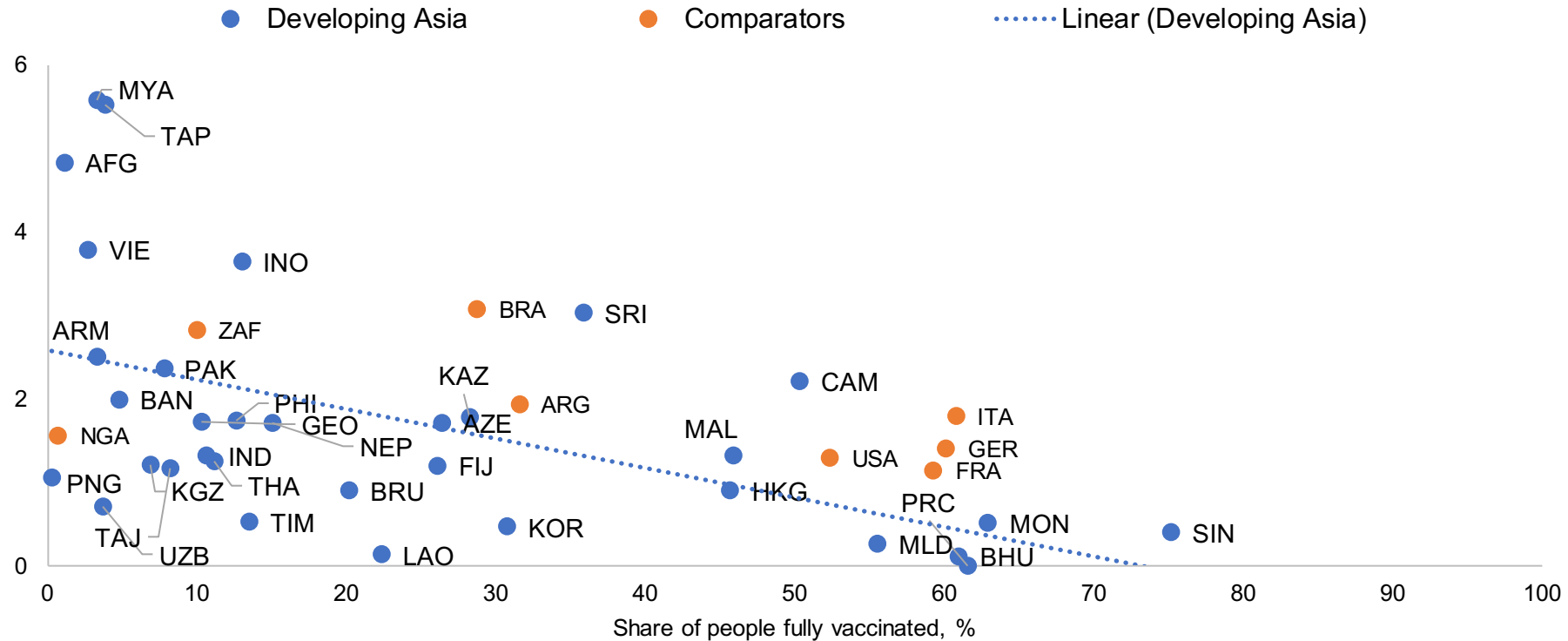


Notes: FSM = Federated States of Micronesia, Lao PDR = Lao People's Democratic Republic, PRC = People's Republic of China  
 Date of data is latest available for August for all economies except Turkmenistan (April).  
 Source: CEIC Data Company (accessed 6 September 2021); Our World in Data (accessed 3 September 2021).

# Vaccines are changing the nature of the pandemic

*Higher vaccination rates are associated with fewer deaths per COVID-19 case.*

deaths per 100 cases, 14-day lagged cases

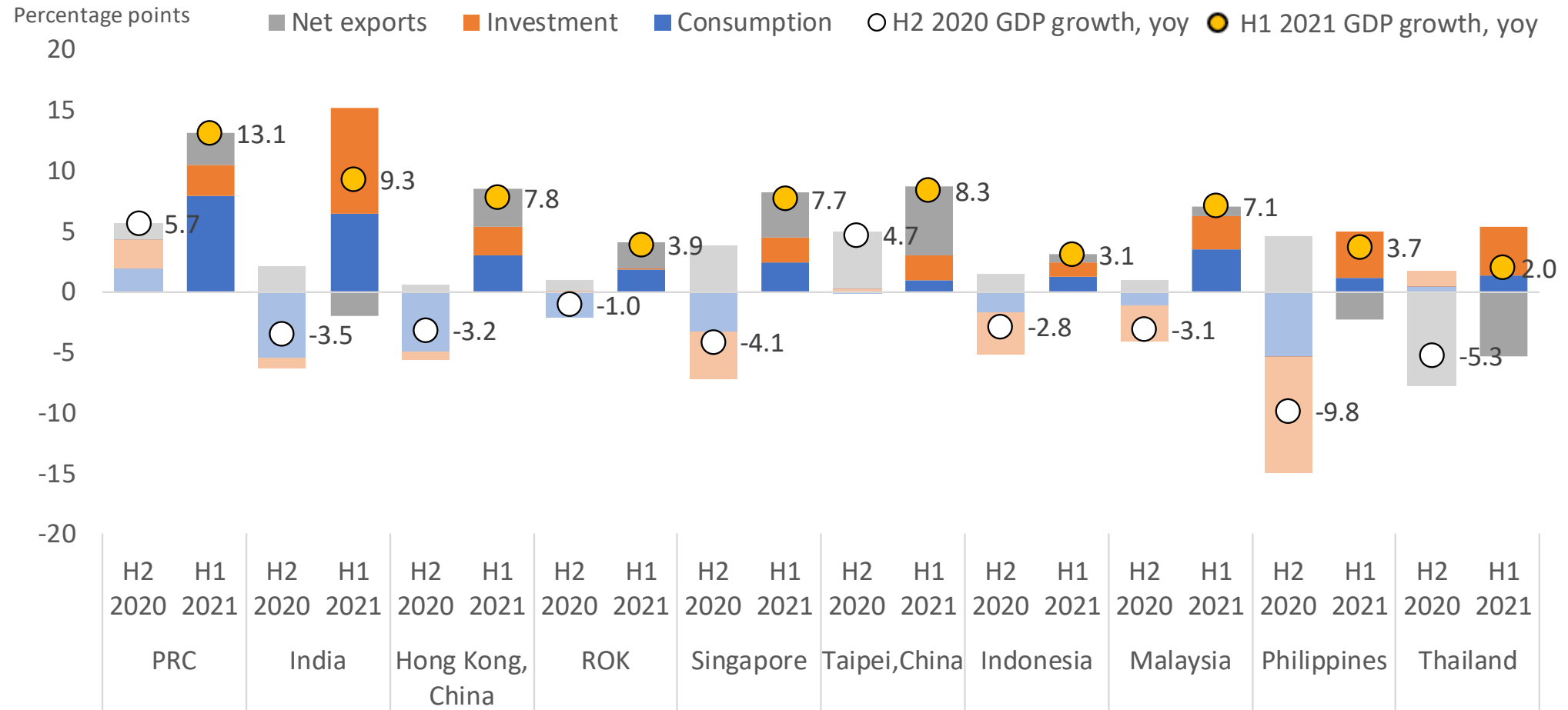


Note: Number of deaths per 100 cases is based on the total confirmed deaths and total confirmed cases since March. It is calculated as the ratio between total confirmed deaths and total confirmed cases 14 days prior to account for the lag between the onset of illness and death.

Source: Our World in Data. <https://ourworldindata.org/coronavirus> (accessed 2 September 2021).

# The strength of the recovery in the first half of 2021 has varied across economies

*Economies that did better with vaccination and pandemic control tended to have better economic performance.*



GDP = gross domestic product, H = half, PRC = People's Republic of China, ROK = Republic of Korea, yoy = year on year.

Note: H1 in India refers to first half of the calendar year.

Source: CEIC Data Company (accessed 8 September 2021).



# Activity has slowed in recent months amid renewed outbreaks

*Falling purchasing managers' indexes in Q3 of 2021 demonstrate the recovery's fragile nature.*

**Manufacturing PMI, seasonally adjusted**

Economy	2021							
	Q1			Q2			Q3	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PRC	51.5	50.9	50.6	51.9	52.0	51.3	50.3	49.2
India	57.7	57.5	55.4	55.5	50.8	48.1	55.3	52.3
Indonesia	52.2	50.9	53.2	54.6	55.3	53.5	40.1	43.7
Malaysia <sup>a</sup>	51.9	50.7	52.9	56.9	54.3	42.9	43.1	46.4
Philippines	52.5	52.5	52.2	49.0	49.9	50.8	50.4	46.4
Republic of Korea	53.2	55.3	55.3	54.6	53.7	53.9	53.0	51.2
Taipei, China	60.2	60.4	60.8	62.4	62.0	57.6	59.7	58.5
Thailand	49.0	47.2	48.8	50.7	47.8	49.5	48.7	48.3
Viet Nam	51.3	51.6	53.6	54.7	53.1	44.1	45.1	40.2

**Services PMI, seasonally adjusted**

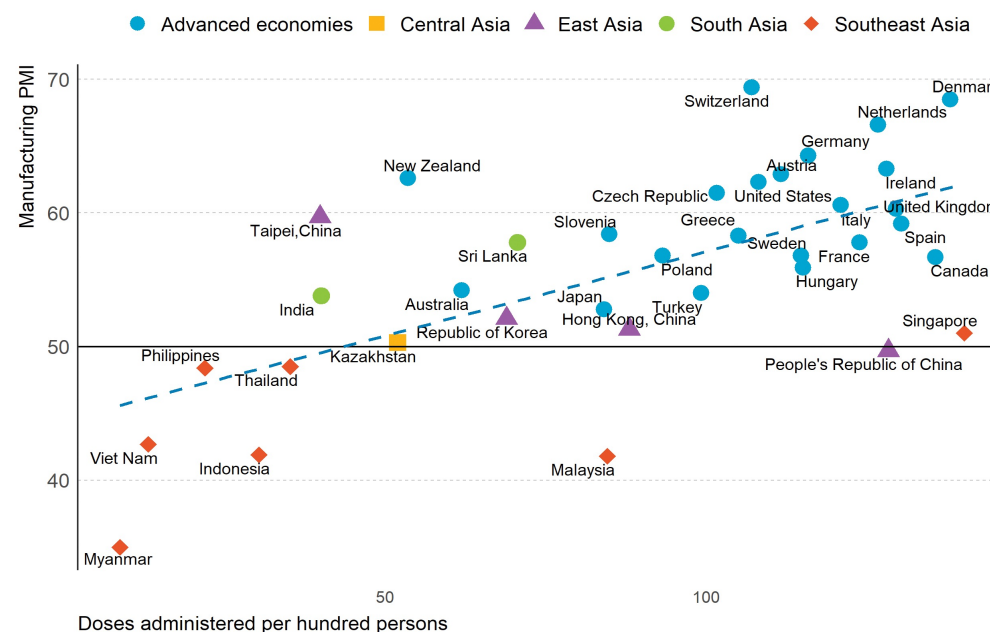
PRC	52.0	51.5	54.3	56.3	55.1	50.3	54.9	46.7
India	52.8	55.3	54.6	54.0	46.4	41.2	45.4	56.7

PMI = Purchasing managers' index PRC = People's Republic of China, Q = quarter.

Note: <sup>a</sup> For Malaysia, the series is adjusted by adding 3 points, as historical experience suggests that value above 47 are consistent with expansion. Manufacturing PMI and doses administered represent the averages of July and August 2021.

Source: CEIC Data Company (accessed 6 September 2021).

*Manufacturing performance has tended to be better in economies with higher vaccination rates.*



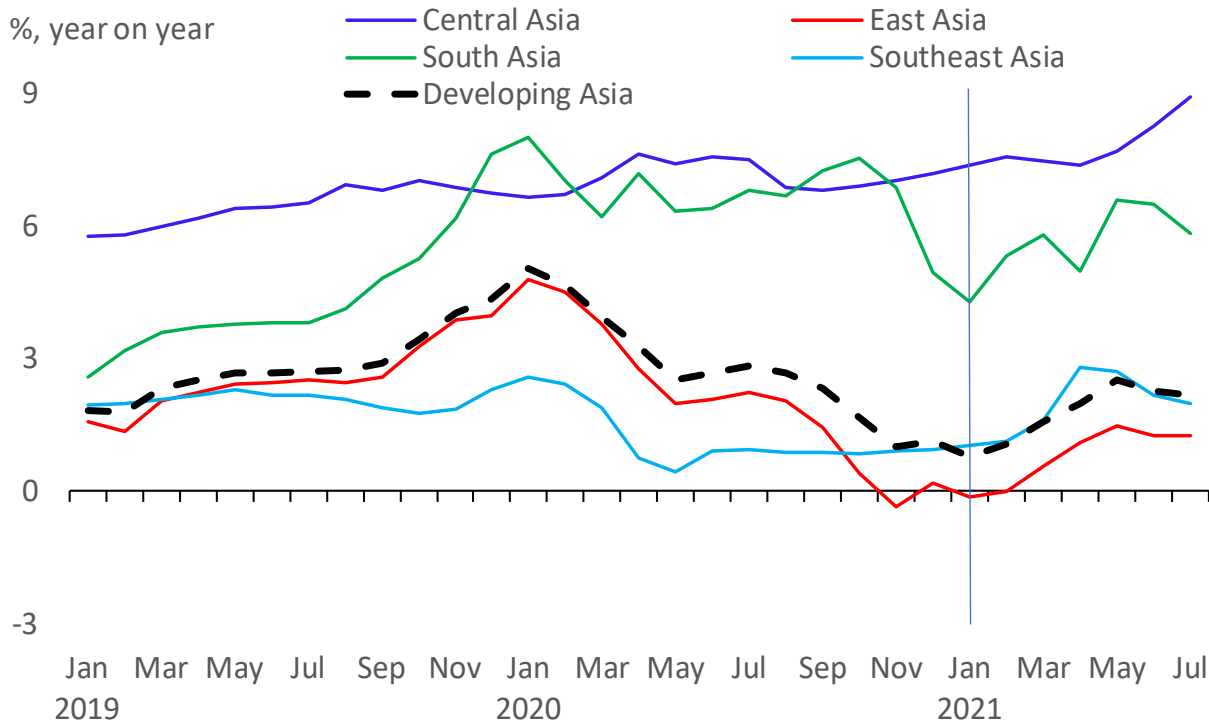
Note: The manufacturing PMI and doses administered per hundred persons are the average of July and August 2021.

Sources: CEIC Data Company (accessed 6 September 2021); IHS Markit; Haver Analytics (accessed 1 September 2021); Bloomberg. Covid-19 Vaccine Tracker (accessed 1 September 2021).

# Inflation has picked up across developing Asia, with rising global commodity prices a possible factor

*After a continuous decline in 2020, headline inflation edged up in the first half of 2021.*

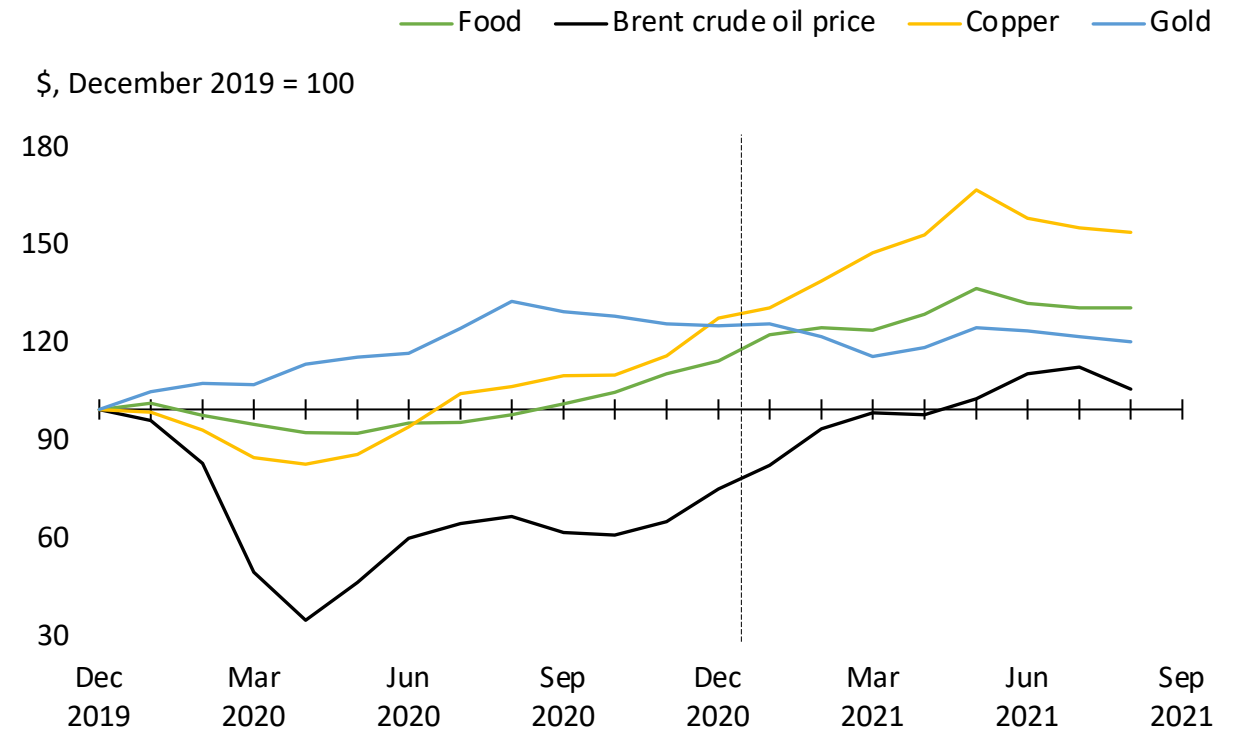
Inflation in developing Asia



Note: The Pacific is excluded because data is not available.  
Source: CEIC Data Company (accessed 3 September 2021)

*Commodity prices have surged since the second half of 2020.*

Commodity prices



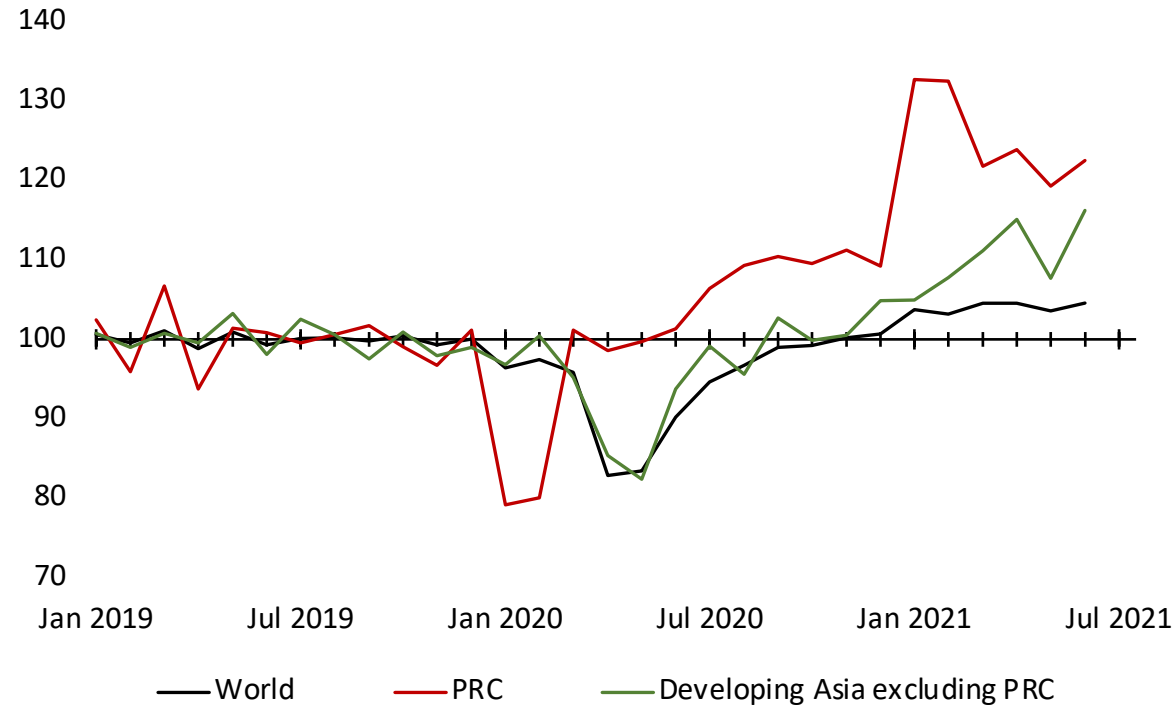
Source: World Bank. Commodity Markets, Pink Sheet data (accessed 7 September 2021)

# External demand is broadening, across economies and across products

*Developing Asia's exports are stabilizing close to 20% above prepandemic levels.*

## Real exports

Real export volume, 2019 average = 100



PRC = People's Republic of China.

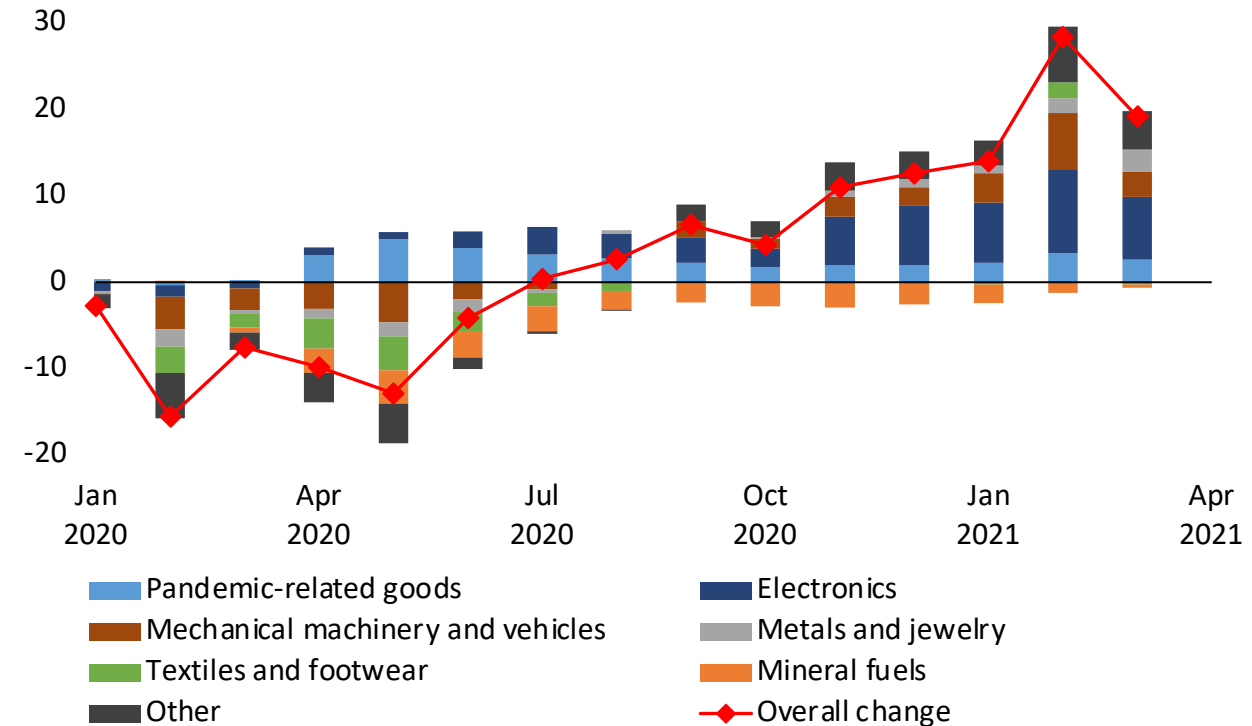
Note: Developing Asia excluding the PRC comprises Hong Kong, China; India; Indonesia; the Republic of Korea; Malaysia; Pakistan; the Philippines; Singapore; Taipei, China; Thailand; and Viet Nam.

Source: CPB World Trade Monitor (accessed 23 August 2021).

*Electronics, machinery, and vehicles have become the main drivers of developing Asia's exports rebound.*

## Sectoral contribution to nominal export growth in developing Asia

% change from the same month in 2019



Note: The sample includes 15 economies accounting for 86% of developing Asia's exports: Armenia; Azerbaijan; Cambodia; Georgia; India; Kazakhstan; Malaysia; Pakistan; the Philippines; the People's Republic of China; the Republic of Korea; Singapore; Thailand; Taipei, China; and Uzbekistan.

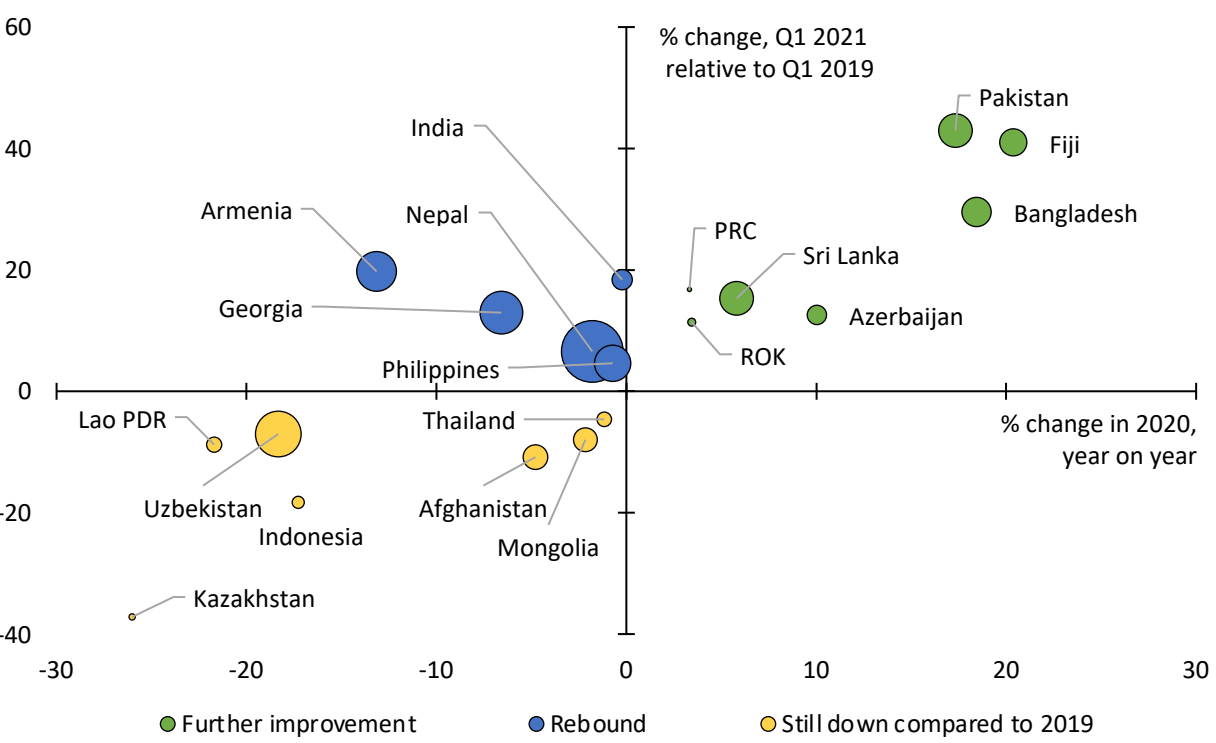
Sources: International Trade Centre. Trade Map (accessed 27 July 2021); United Nations Comtrade Database; Observatory of Economic Complexity (both accessed 27 August 2021).



# Remittances remain resilient, but tourism has yet to recover

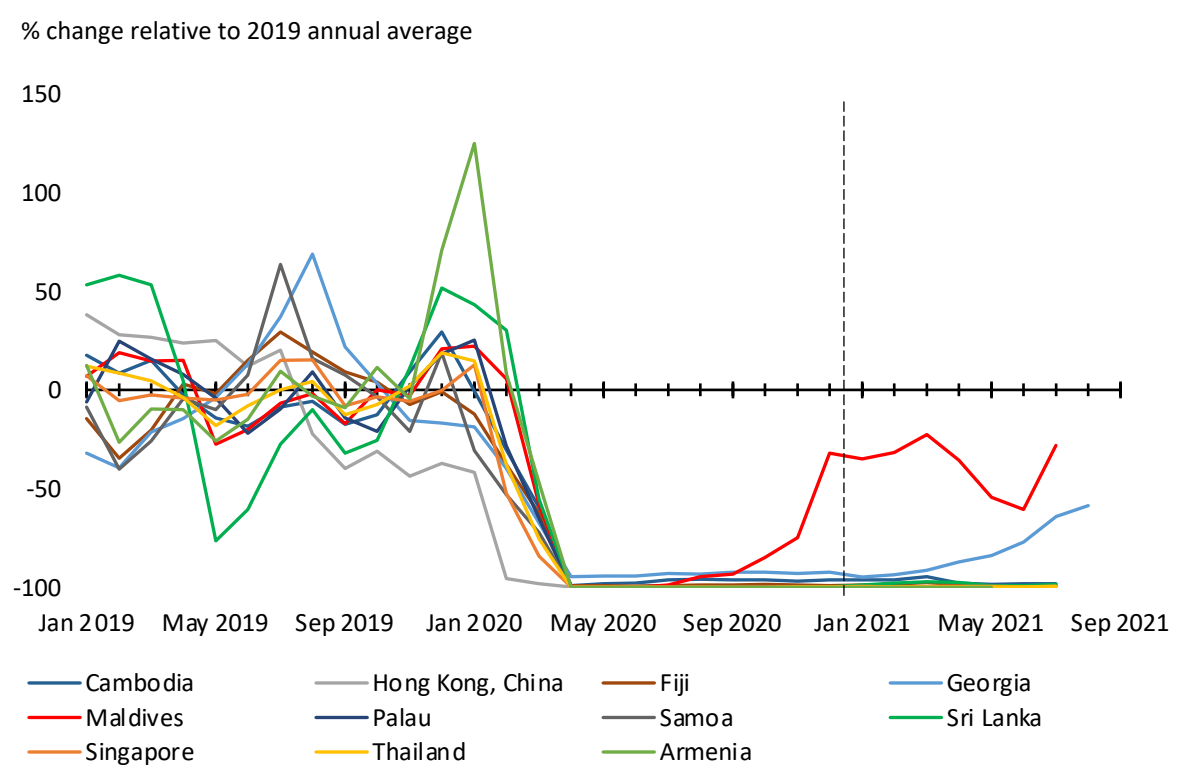
Remittances picked up for most economies in Q1 2021; or they declined by less than in 2020.

Changes in remittances in 2020 and Q1 2021



International tourism has mostly remained depressed.

International tourist arrivals



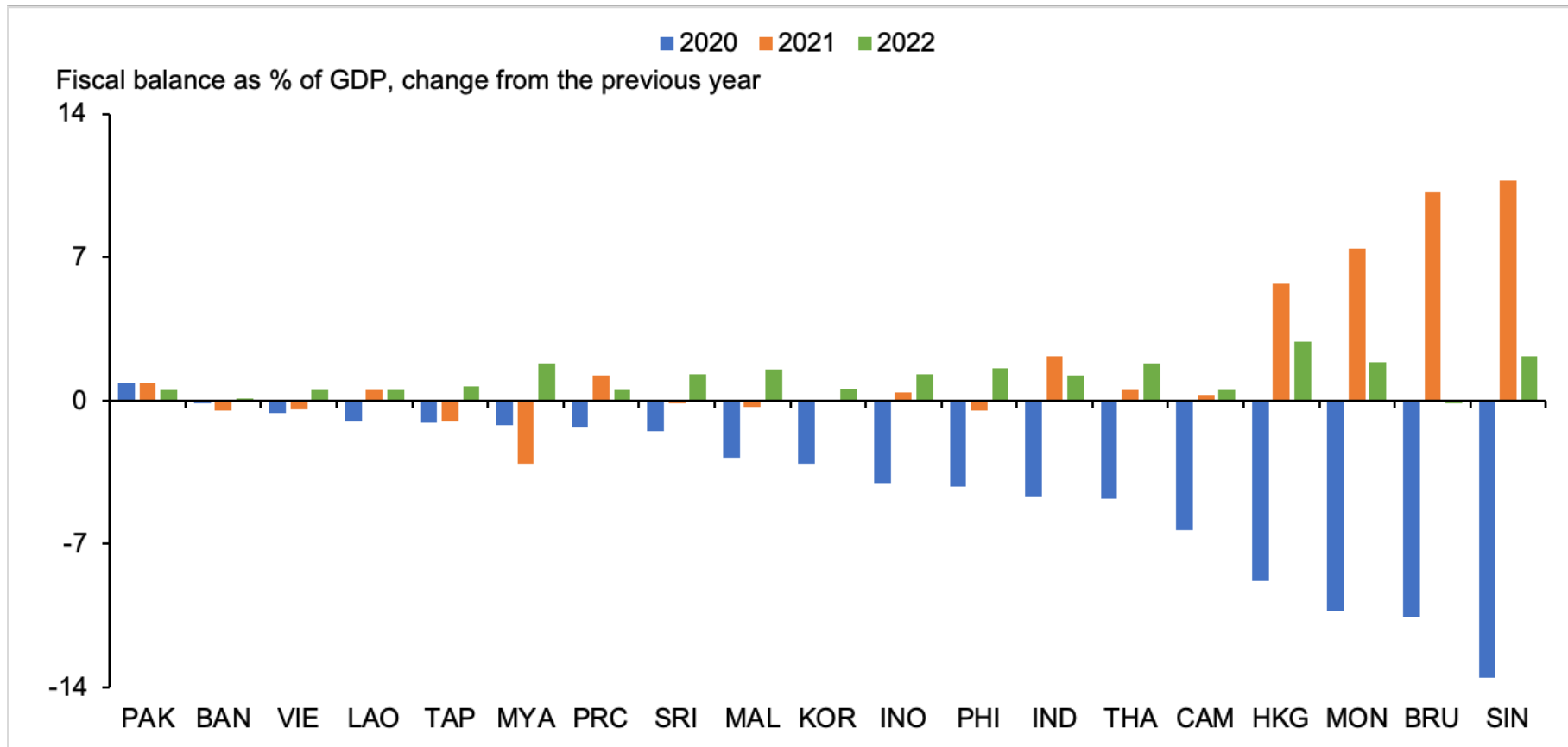
Q = Quarter; PRC = People's Republic of China; ROK = Republic of Korea.  
Notes: The sample is restricted to the 19 economies for which data is available. Bubble areas are proportional to the share of remittances in 2019 gross domestic product.  
Sources: International Monetary Fund. Balance of Payments and International Investment Position Statistics; World Bank. World Development Indicators (both accessed 3 September 2021).

Note: The sample is restricted to economies where tourism accounted for at least 5% of GDP in the latest year with available data during 2017–2019.  
Sources: CEIC Data Company; national sources (accessed 3 September 2021).

# Fiscal policy continues to support the recovery

*The fiscal stance will remain accommodative in several economies this year; a general shift to consolidation is projected for 2022 and beyond*

**Fiscal impulse over 2020-2022, selected Asian economies**



Notes: BAN=Bangladesh, BRU=Brunei Darussalam, CAM=Cambodia, HKG=Hong Kong, China, IND=India, INO=Indonesia, KOR=Republic of Korea, LAO=Lao PDR, MAL=Malaysia, MON=Mongolia, MYA=Myanmar, PAK=Pakistan, PHI=Philippines, PRC=People's Republic of China, SIN=Singapore, SRI=Sri Lanka, TAP=Taipei,China, THA=Thailand, VIE=Viet Nam.

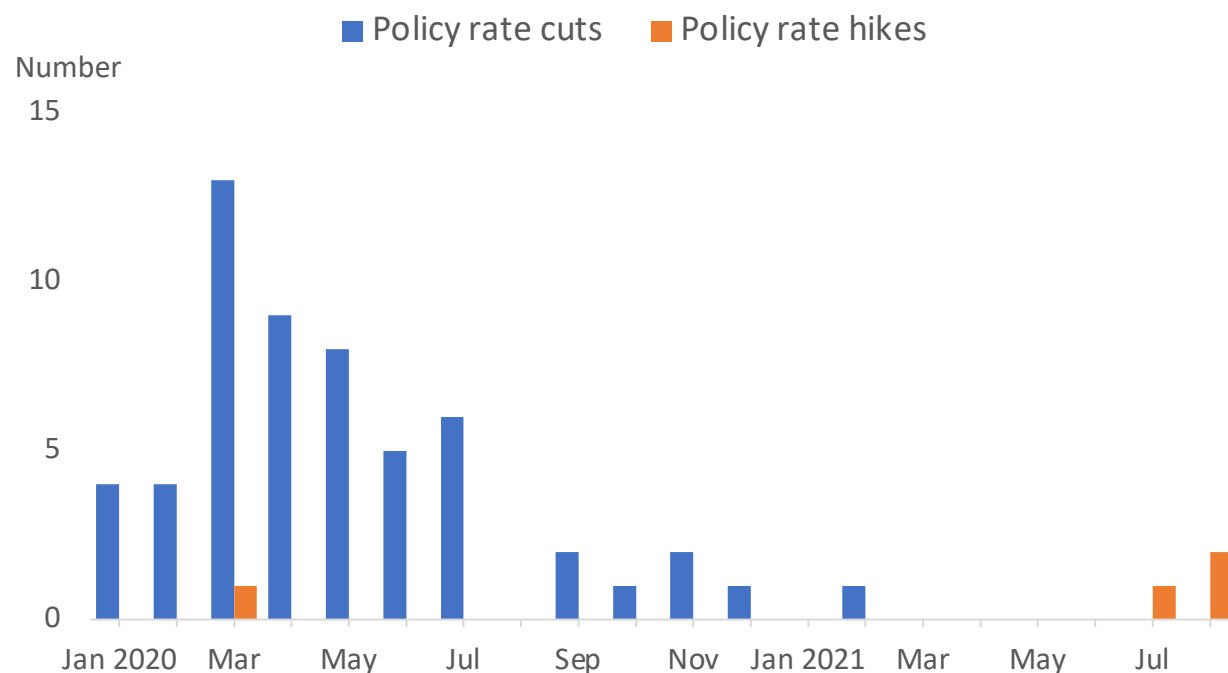
Fiscal impulse is defined as the change in the fiscal balance, expressed as percentage of GDP, from the previous year. Positive changes in the fiscal balance indicate fiscal consolidation; negative changes indicate fiscal expansion. Data for 2021 and 2022 are forecasts.

# Monetary policy stances remain accommodative

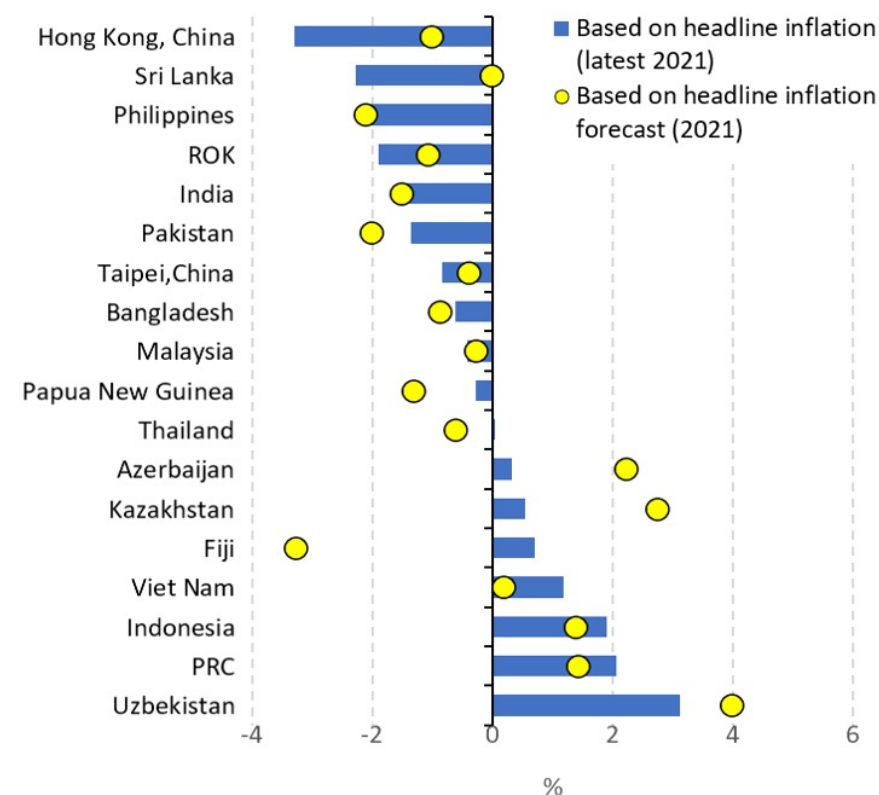
*Regional central banks cut rates repeatedly last year and have kept them on hold in 2021...*

*...so that monetary conditions continue to be accommodative, with low or negative real interest rates in many economies*

Frequency of policy rate cuts and hikes, selected economies



Inflation adjusted interest rates



Left panel: The data refers to the 18 developing Asian economies in the right panel.

Right panel: Real interest rate is the difference between the latest policy rate and headline inflation (blue bars) and the forecast inflation for 2021 in ADOS July 2021 (yellow dots). The latest data for Kazakhstan, Uzbekistan, Republic of Korea, Pakistan, Indonesia, and Viet Nam refer to August 2021; Azerbaijan, People's Republic of China, Hong, Kong, China, Taipei, China, Bangladesh, India, Sri Lanka, Malaysia, Philippines, Thailand and Fiji, July 2021; and Papua New Guinea, June 2021.

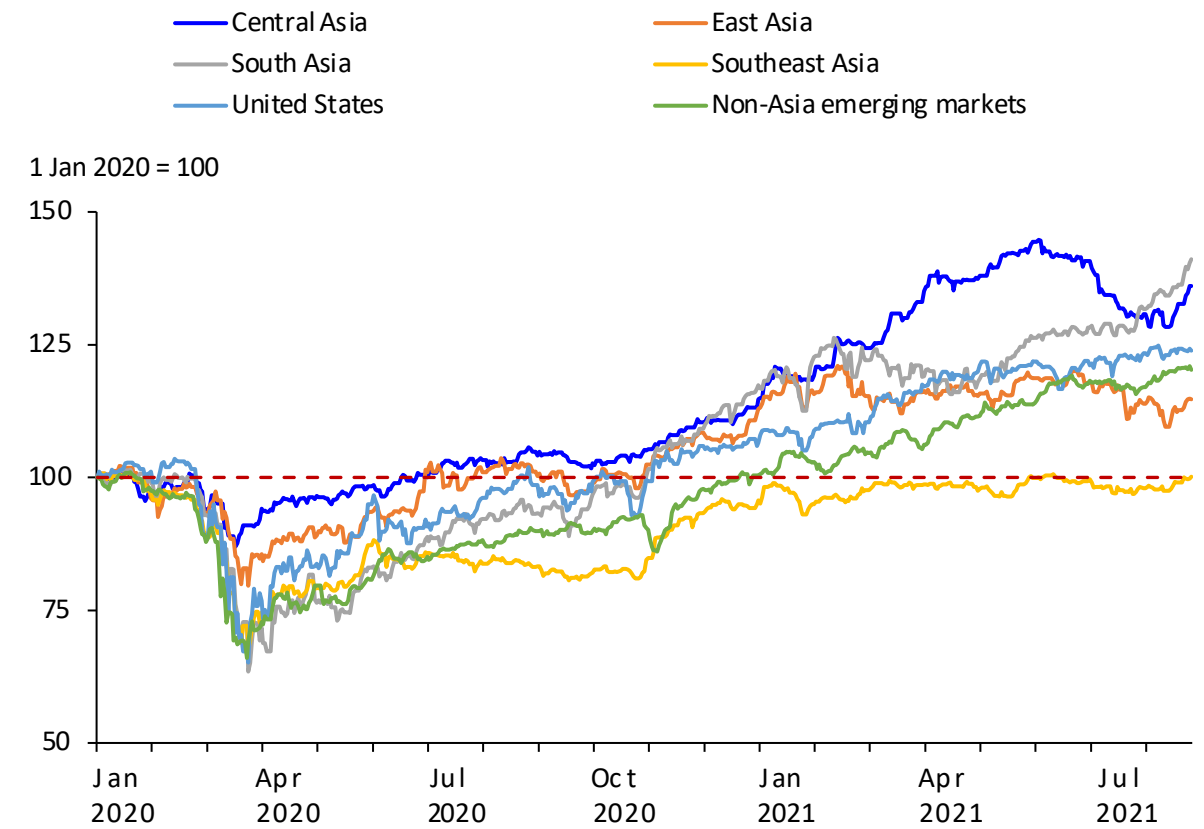
Source: Bloomberg; CEIC Data Company; Haver Analytics (all accessed 3 September 2021).

# Financial conditions remain largely robust, supported by accommodative policies and healthy liquidity

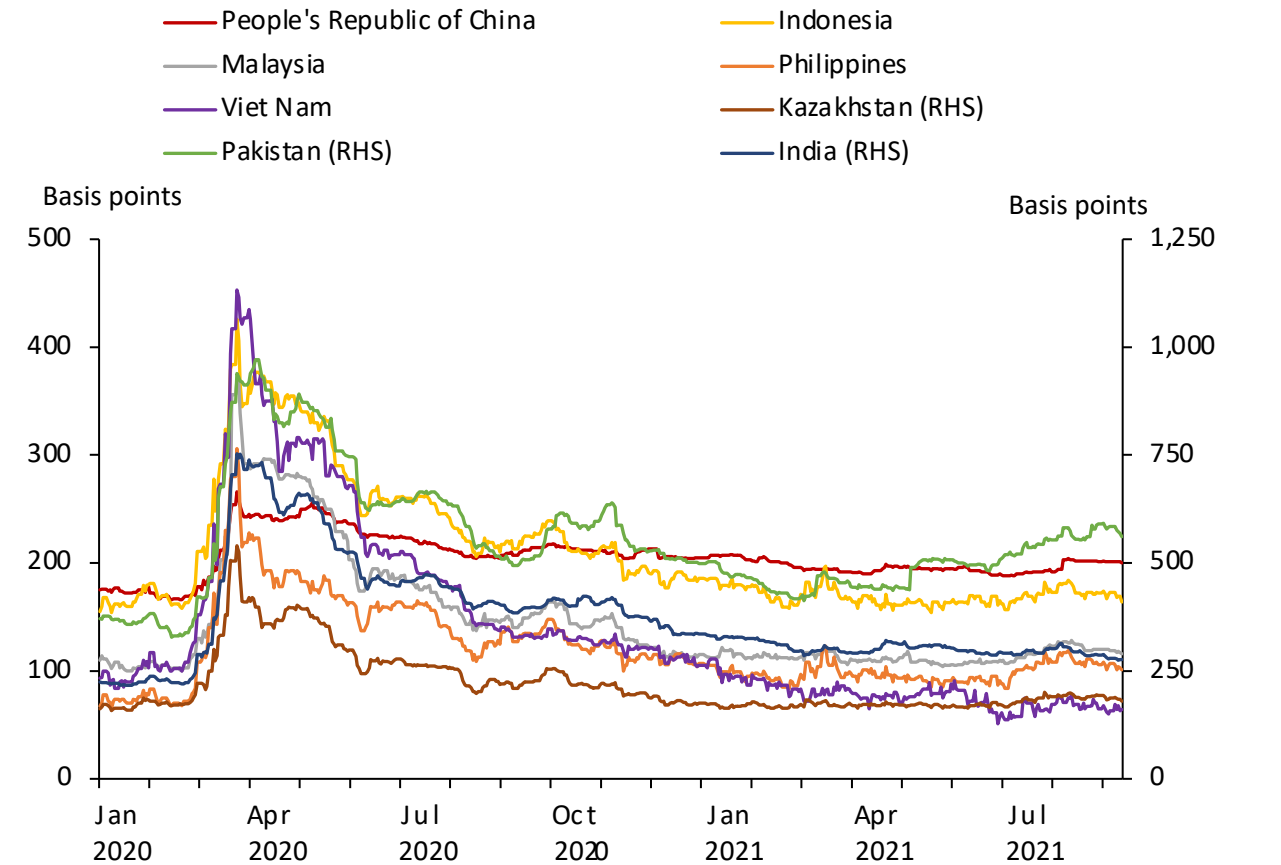
*Regional equity markets went up in the first eight months of 2021*

*Risk premiums remain stable with marginal declines from January to 3 September 2021*

Equity Indices



JP Morgan EMBI stripped spreads, selected Asian economies



Central Asia = Kazakhstan; East Asia = Hong Kong, China, Republic of Korea, People's Republic of China, and Taipei, China; South Asia = Bangladesh, Sri Lanka, and India; Southeast Asia = Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam; and Non-Asia Emerging Markets include South Africa, Brazil, Colombia, Hungary, Mexico, Poland, Qatar, Saudi Arabia, Turkey, and Ukraine.  
Source: CEIC data company (accessed 4 September 2021).

RHS = right-hand side.  
Source: Bloomberg (accessed 4 September 2021).

# The recovery in developing Asia will continue, at a slightly slower pace

*The outlook is positive, but the speed of recovery varies*

GDP growth in developing Asia, in %

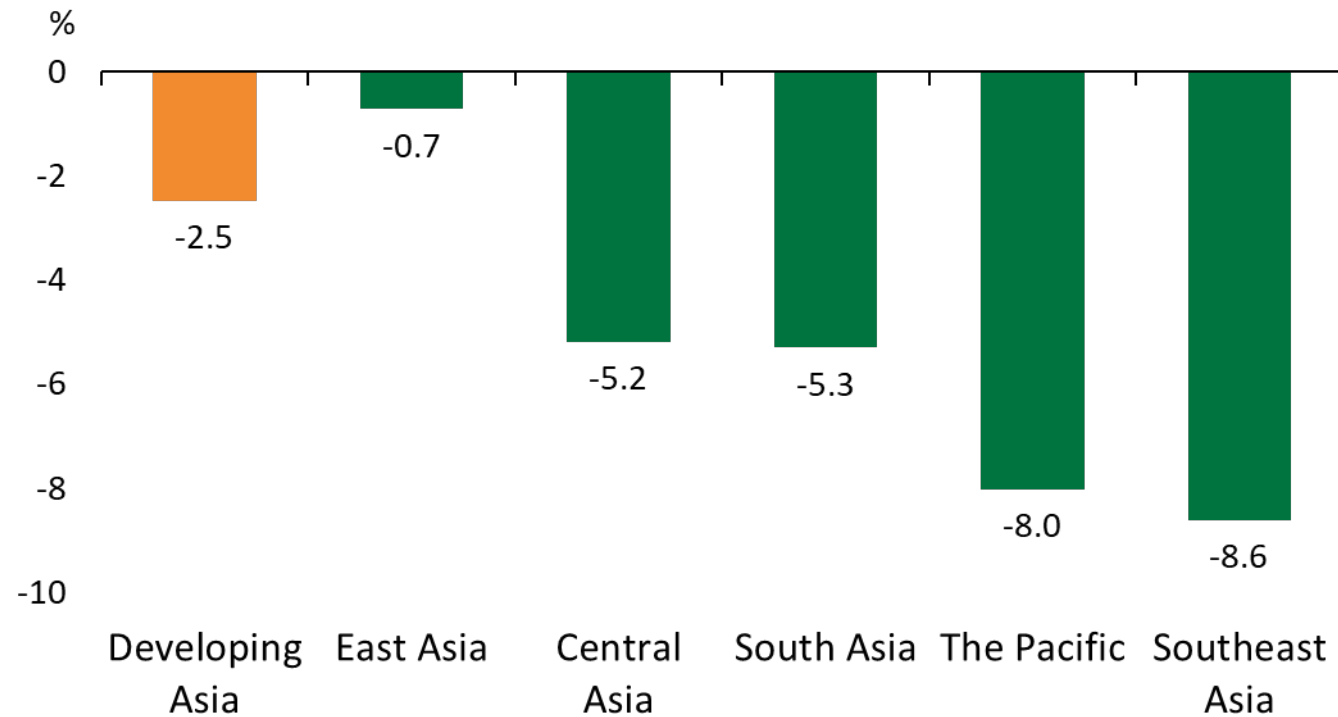
		2021			2022				2021			2022		
	2020	ADO 2021	ADOU 2021		ADO 2021	ADOU 2021			ADO 2021	ADOU 2021		ADO 2021	ADOU 2021	
<b>Developing Asia</b>	-0.1	7.3	7.1 ▼		5.3	5.4 ▲								
<b>East Asia</b>	1.8	7.4	7.6 ▲		5.1	5.1								
Hong Kong, China	-6.1	4.6	6.2 ▲		4.5	3.4 ▼								
People's Republic of China	2.3	8.1	8.1		5.5	5.5								
Republic of Korea	-0.9	3.5	4.0 ▲		3.1	3.1								
Taipei,China	3.1	4.6	6.2 ▲		3.0	3.0								
<b>Southeast Asia</b>	-4.0	4.4	3.1 ▼		5.1	5.0 ▼								
Indonesia	-2.1	4.5	3.5 ▼		5.0	4.8 ▼								
Malaysia	-5.6	6.0	4.7 ▼		5.7	6.1 ▲								
Philippines	-9.6	4.5	4.5		5.5	5.5								
Singapore	-5.4	6.0	6.5 ▲		4.1	4.1								
Thailand	-6.1	3.0	0.8 ▼		4.5	3.9 ▼								
Viet Nam	2.9	6.7	3.8 ▼		7.0	6.5 ▼								
<b>South Asia</b>	-5.6	9.5	8.8 ▼											
Bangladesh	3.5	6.8	5.5 ▼									6.6	7.0 ▲	
India	-7.3	11.0	10.0 ▼									7.0	7.5 ▲	
Pakistan	-0.5	2.0	3.9 ▲									4.0	4.0	
<b>Central Asia</b>	-1.9	3.4	4.1 ▲									4.0	4.2 ▲	
Azerbaijan	-4.3	1.9	2.2 ▲									2.5	2.5	
Kazakhstan	-2.6	3.2	3.4 ▲									3.5	3.7 ▲	
Uzbekistan	1.6	4.0	5.0 ▲									5.0	5.5 ▲	
<b>The Pacific</b>	-5.3	1.4	-0.6 ▼									3.8	4.8 ▲	
Fiji	-15.7	2.0	-5.0 ▼									7.3	8.8 ▲	
Papua New Guinea	-3.3	2.5	1.3 ▼									3.0	4.1 ▲	

Notes: Data for Bangladesh, India, and Pakistan are on fiscal year basis, with FY2021 ending 30 June 2021 for Bangladesh and Pakistan and ending 31 March 2022 for India. Arrows indicate changes relative to ADO2021 forecast. ▲ = value increased, ▼ = value decreased, and no arrow = unchanged.

# GDP levels will remain below pre-COVID-19 trends in 2022, to varying degrees

*Regional output will remain below its prepandemic trend by 2022, with gaps varying due to divergence in forecasts.*

The gap between 2022 forecast and its prepandemic trend



Note: The 2022 prepandemic GDP level is measured based on its trend in the 5 years before the pandemic begins.

Source: *Asian Development Outlook* database.



# Risks remain tilted to the downside

- The main threats to the outlook come from COVID-19, including delayed vaccine rollouts, the emergence of new variants and waning vaccine effectiveness.
- Additional downside risks are possible geopolitical tensions, global supply chain disruptions, and financial-market turbulence as US monetary policy normalizes.
- As economies recover from the pandemic, medium-term risks will return to center stage—chiefly among these, natural disasters and extreme weather events linked to climate change as well as the fall-out from rising food insecurity.

# ASIAN DEVELOPMENT OUTLOOK 2021 UPDATE

## Part II: Transforming Agriculture in Asia

22 September 2021

#ADO2021

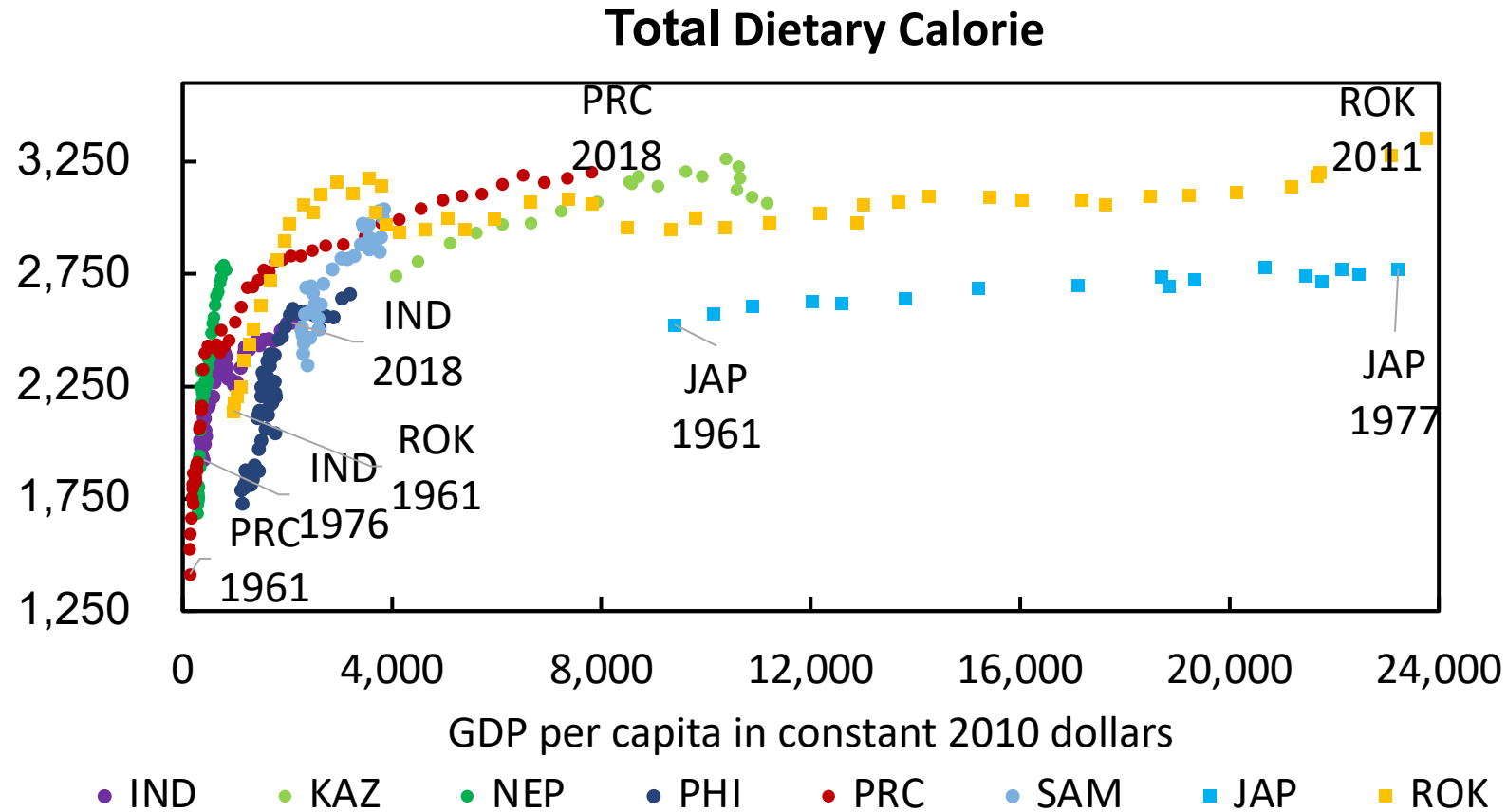
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# Asia's agriculture must adapt if it is to thrive

- In developing Asia, one-third of workers are still employed in agriculture, and an estimated four out of five poor people live in rural areas.
- Sustainable food production and agricultural systems that are resilient to climate change will be crucial for developing Asia.
- To transform agriculture, regional economies must tackle challenges from three ongoing shifts: changing demand, changing demographics, and a changing and more fragile environment.

# Rising income and urbanization are changing food demand...

*Calorie intake per capita has been rising in Asia and the Pacific*

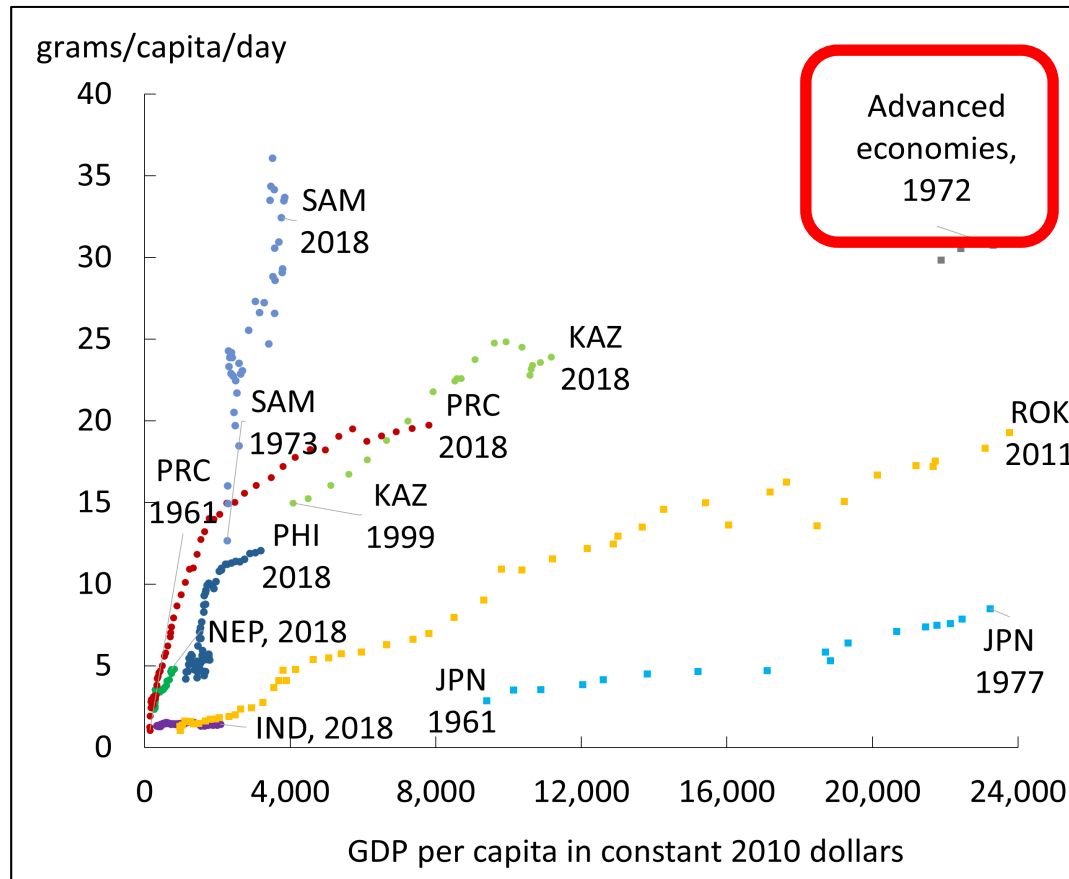


IND = India, KAZ = Kazakhstan, NEP = Nepal, PHI = Philippines, PRC = People's Republic of China, ROK = Republic of Korea, SAM = Samoa, JPN = JAPAN, Source: FAOSTAT Food Balance Sheets and World Bank World Development Indicators (Accessed April 2021).

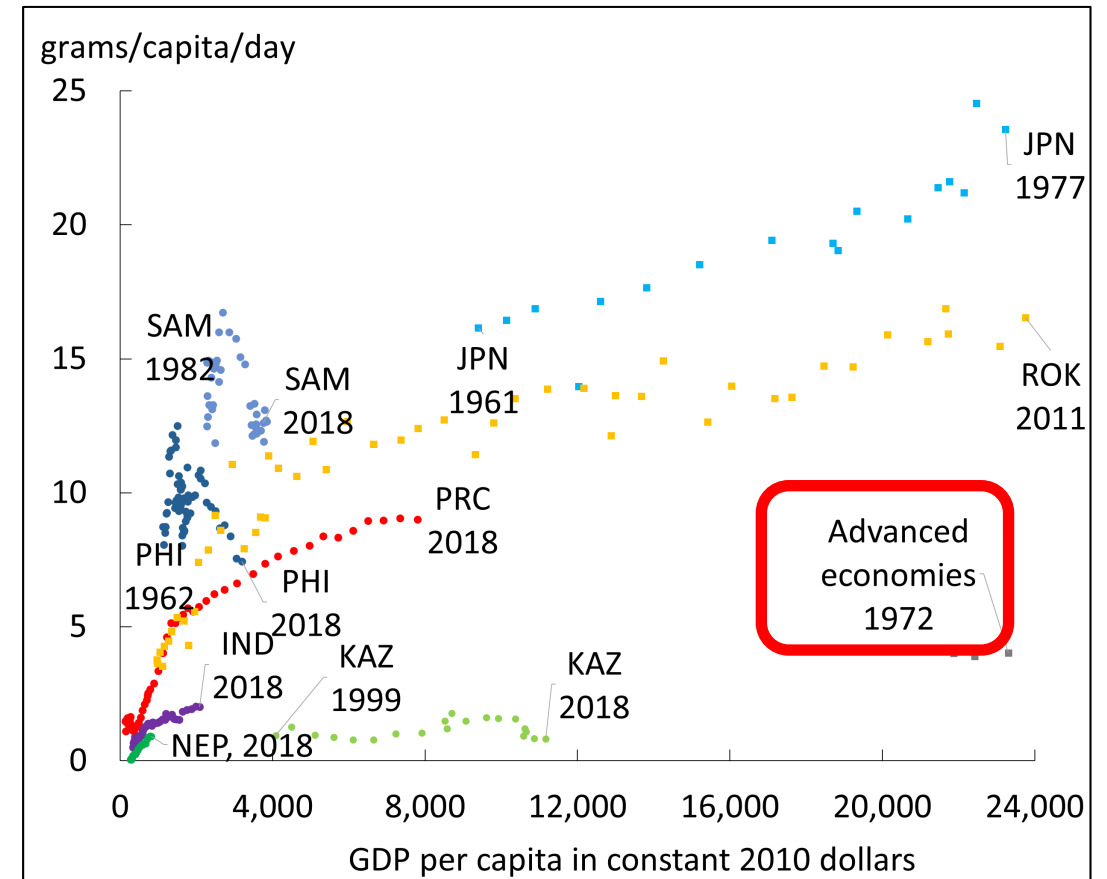
# ...and shifting it towards meat and seafood

*Meat consumption in the region remains significantly lower than in advanced economies outside of Asia, while fish consumption has surpassed it.*

## Animal Meat



## Seafood



Animal meat includes bovine meat, mutton & goat meat, pigmeat, poultry meat, and other meats.

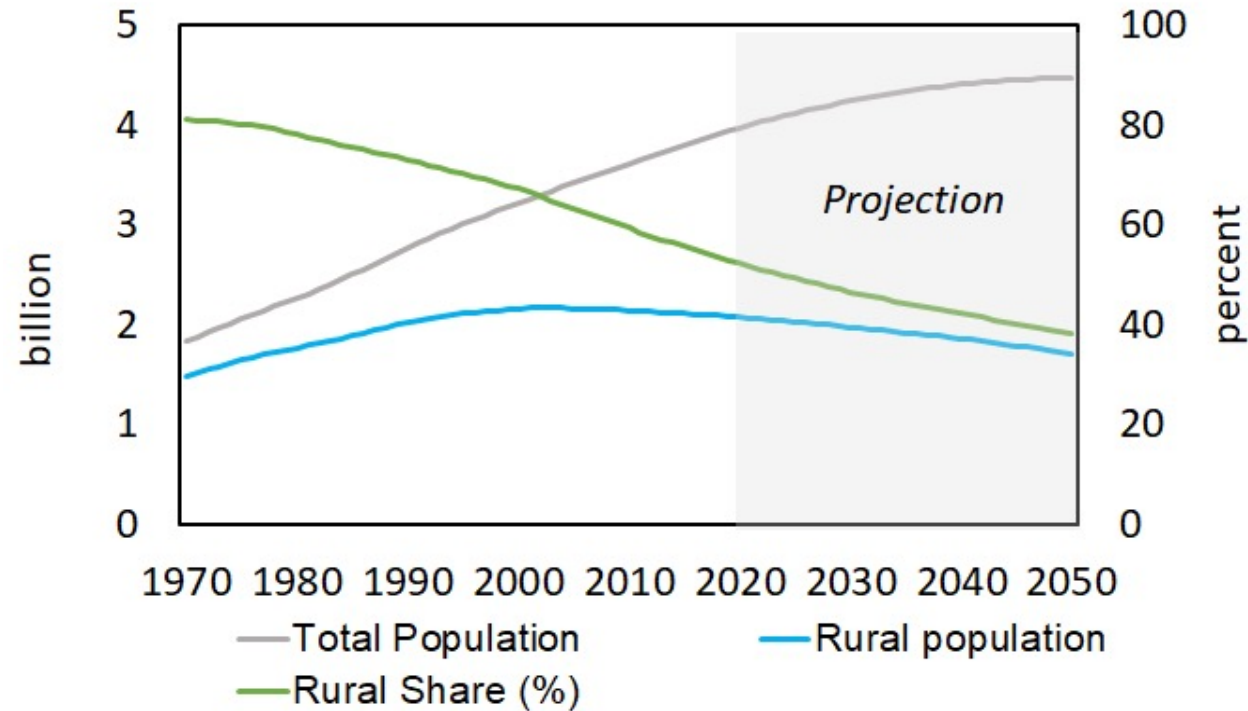
Seafood fish includes freshwater fish, demersal fish, pelagic fish, marine fish, other crustaceans, cephalopods, and other molluscs.

Source: FAOSTAT Food Balance Sheets.

# Rural population is shrinking, aging, and feminizing

*The share of rural population has declined from 80% in 1970 to 52% in 2020, and is expected to reach 40% by 2050*

Urban and Rural Population in Developing Asia in 1970 – 2050



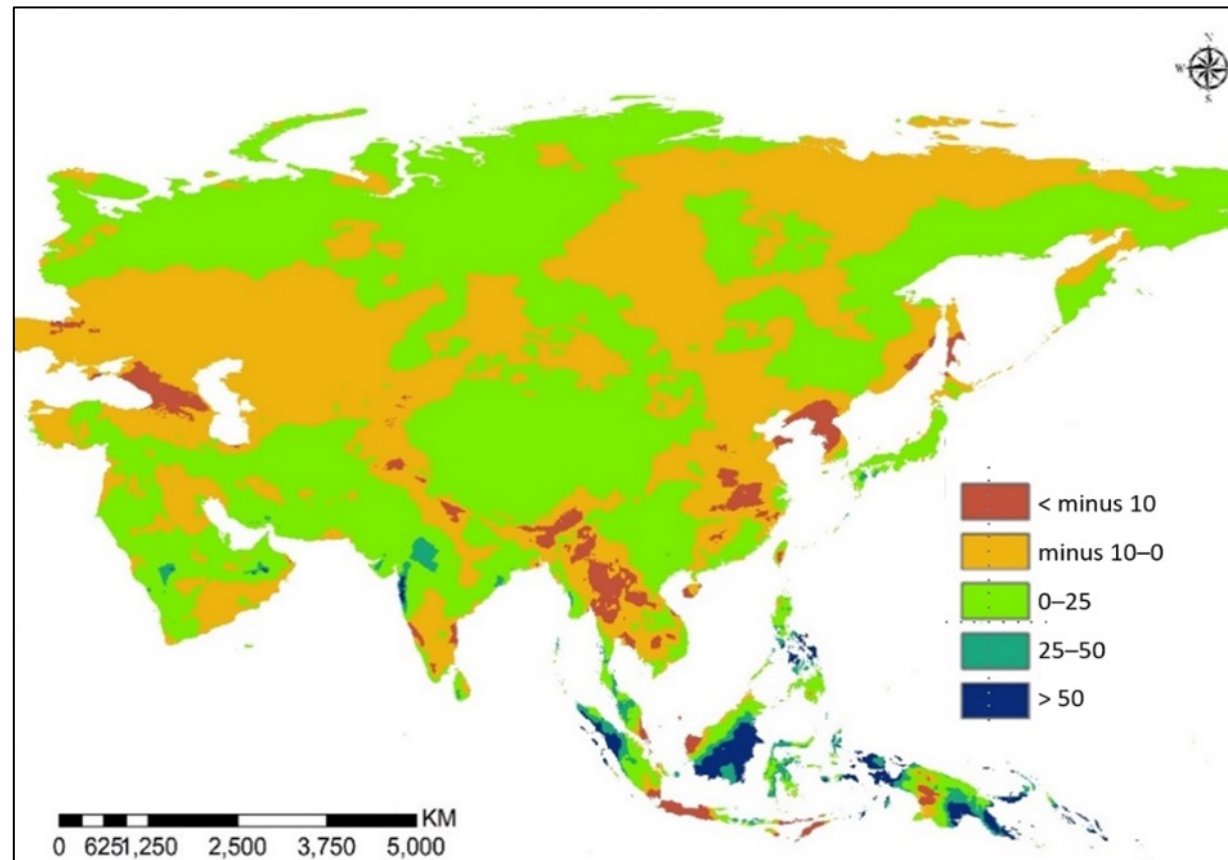
Note: 2014-2016 = 100. Data for 2021 is until May 2021.  
Source: FAO. <http://www.fao.org/worldfoodsituation/foodpricesindex/en/>  
(accessed 25 June 2021).



# Climate change poses ever greater challenges to agriculture in Asia

*Asia has experienced significant changes in precipitation*

## Precipitation Change in Asia, 1958-2019 (millimeters)



Source: Gumma (2021) based on climate data from Abatzoglou et al. (2018)

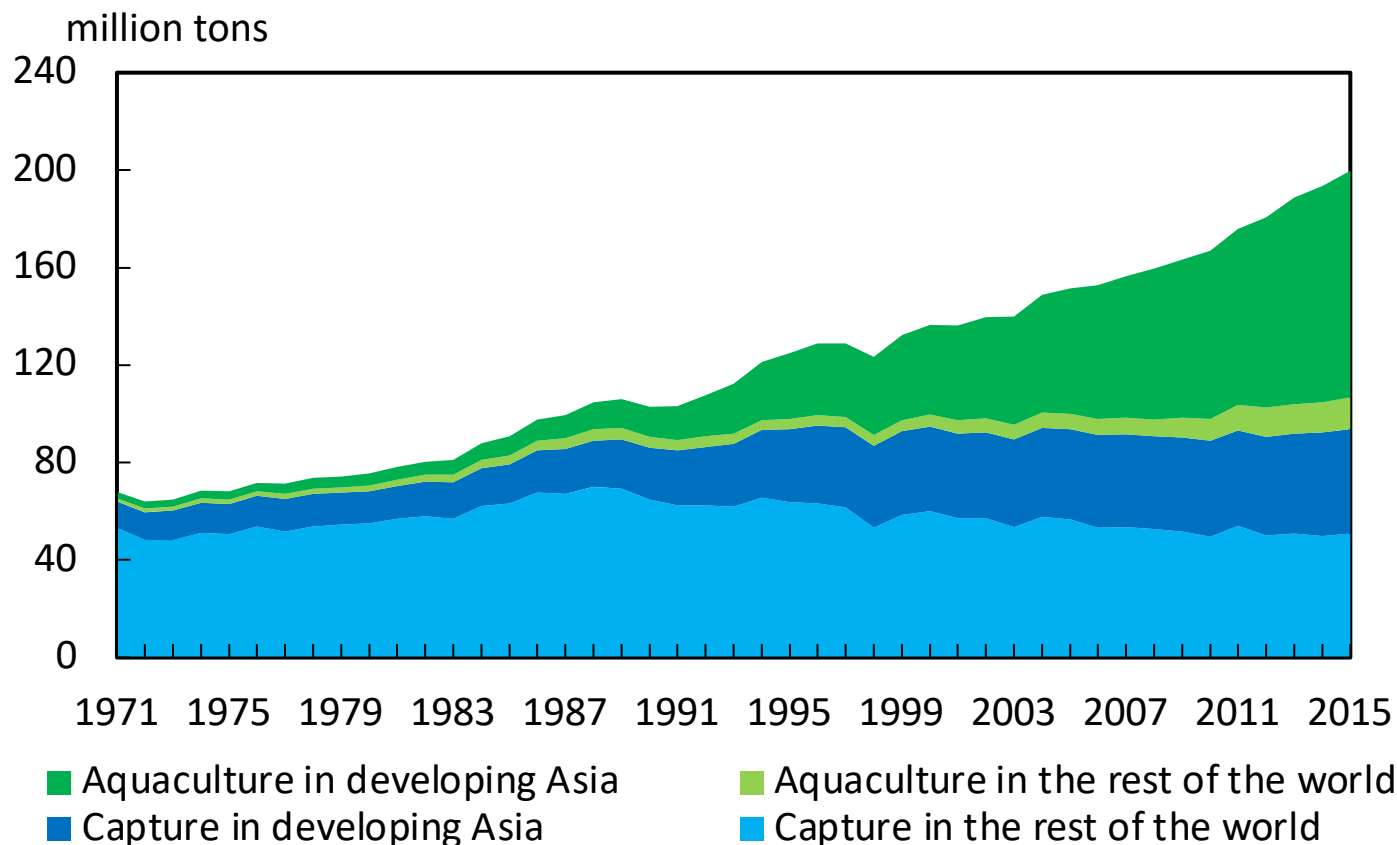
# Transforming agriculture needs a multipronged approach

- Innovation to boost productivity
- Regulation to ensure sustainability
- Better, more comprehensive support systems for farmers

# Expanding Asia's aquaculture can meet growing appetite for seafood

*Aquaculture is growing rapidly in developing Asia, and now comprises 88% of the global total.*

## World Capture and Aquaculture Fisheries Production



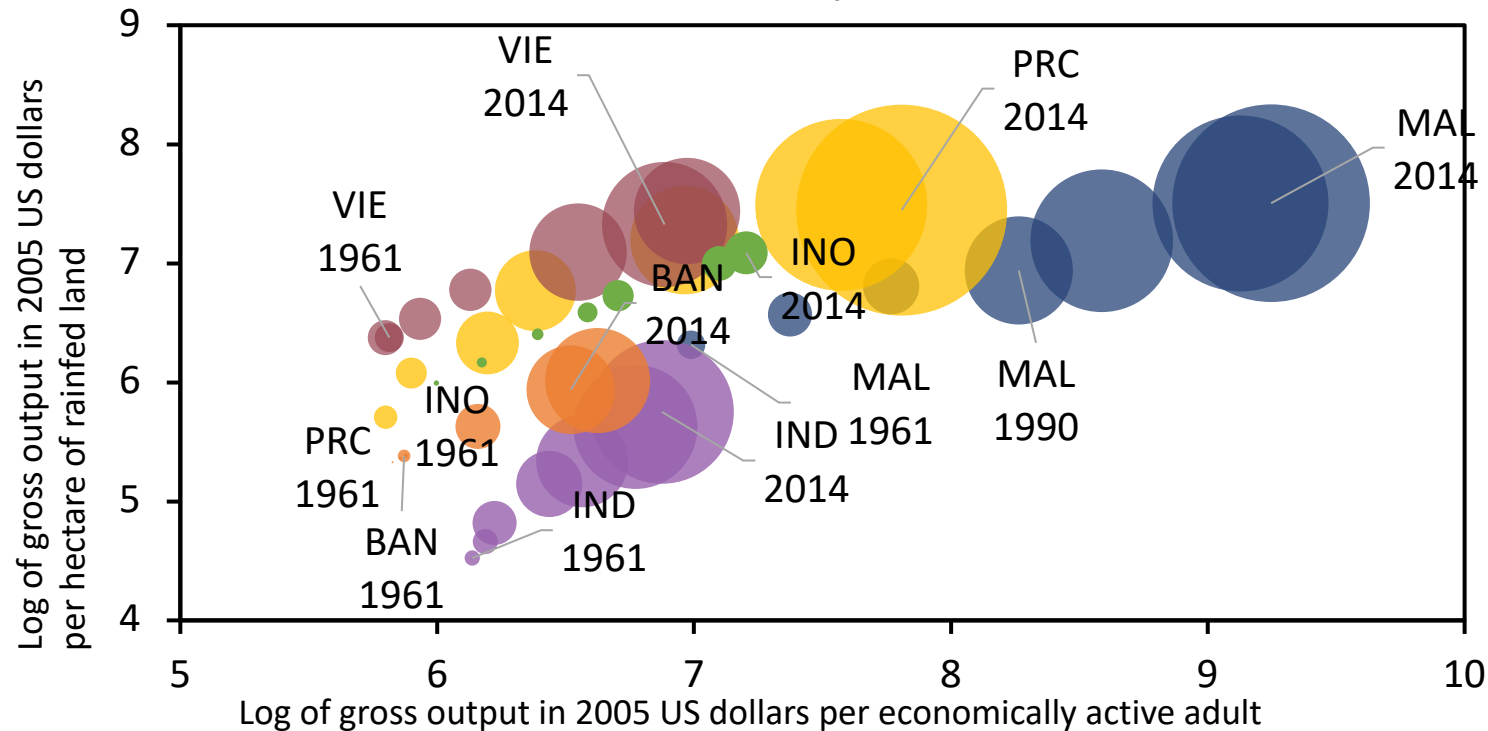
Source: World Bank. World Development Indicators.

<https://databank.worldbank.org/source/world-development-indicators> (accessed August 2021).

# Access to machines can increase labor productivity of smallholder farmers

*Agricultural mechanization has increased labor productivity, but many economies in the region lag behind.*

## Agricultural land productivity, labor productivity, and mechanization, 1961–2014

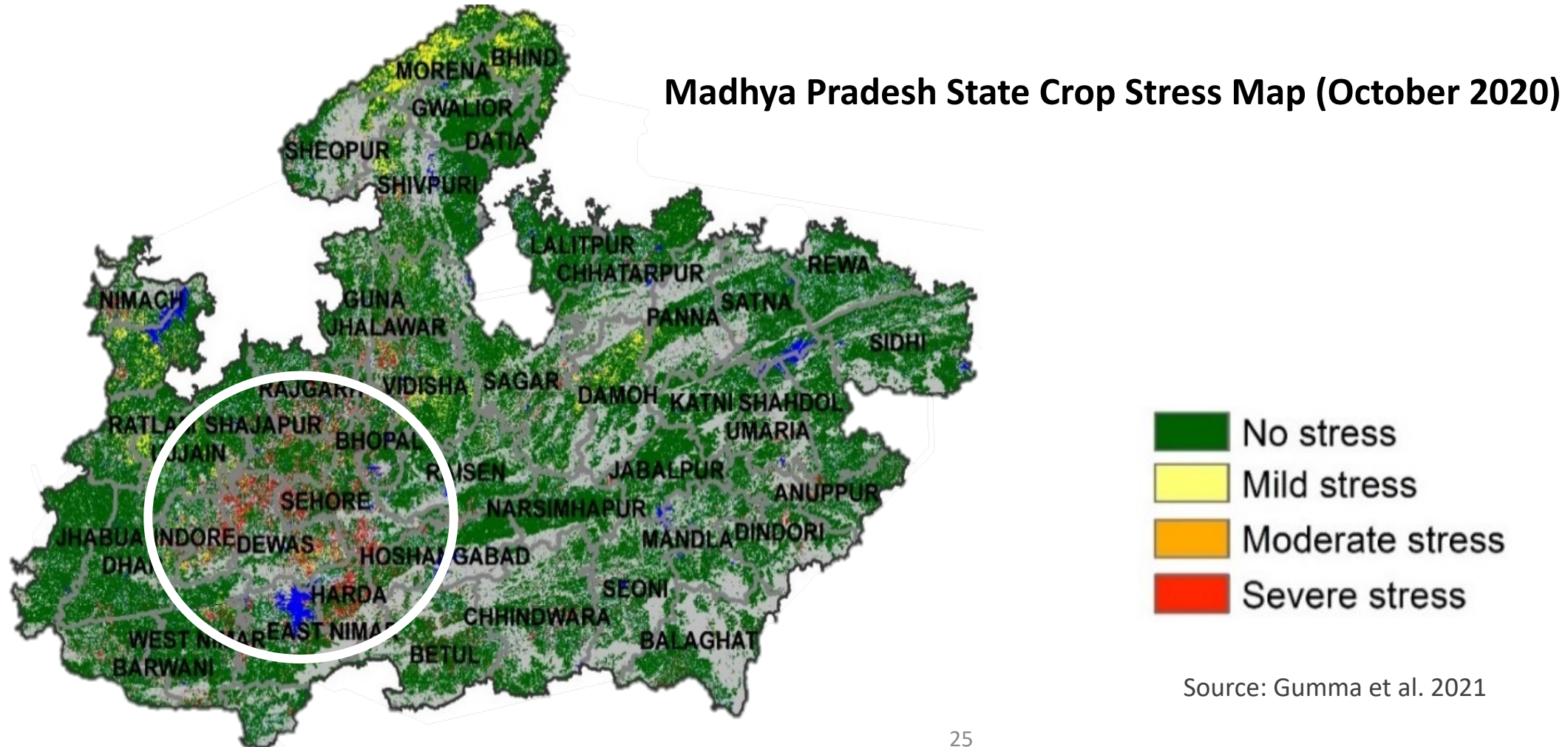


BAN = Bangladesh, IND = India, INO = Indonesia, MAL = Malaysia, PRC = People's Republic of China, VIE = Viet Nam.

Note: Dots represent 1961, 1970, 1980, 1990, 2000, 2010, and 2014 data points. Circle size represents rate of mechanization as measured by the ratio of machinery (in metric horsepower) to the number of economically active adults in agriculture. Source: USDA (2019)

# Crop insurance can protect farmers' livelihood and build climate resilience

*Spatial information systems can help insurance programs rapidly assess crop damage and expedite settlement claims.*



# Policies to Transform Agriculture in Asia

Innovative practices and solutions on the farm



Comprehensive systems to support agricultural production

- ❖ Promote well-regulated **aquaculture** to meet growing demand for seafood.
- ❖ Expand **access to machines** for smallholders using innovative arrangements
- ❖ Improved technologies and practices for **sustainable farming**

- ❖ invest in **early warning systems** and **climate-resilient** infrastructure.
- ❖ hasten development of **national crop insurance schemes** including the use of spatial information systems
- ❖ **Focus agricultural policy away from production support and more on** market-oriented and innovation-encouraging policy



# ADO Update 2021: Key messages

- Amid renewed outbreaks and uneven progress on vaccination, COVID-19 continues to besiege developing Asia
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- The region's output is forecast to expand by 7.1% in 2021 and 5.4% in 2022. Inflation is projected at 2.2% in 2021 and 2.7% in 2022
- A resurgence in the COVID-19 pandemic—possibly due to new virus variants, waning effectiveness of vaccines, or slow progress on vaccination—remains the main risk
- The theme chapter examines how Asian agriculture must respond to three ongoing shifts: changing demand, changing demographics, and a changing and fragile environment